

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY BERN

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C O N F I D E N T I A L STATE 229474

FOLLOWING SENT SECSTATE WASHDC INFO BONN EC BRUSSELS LONDON
MADRID ROME STOCKHOLM FROM PARIS 19 NOV 73:

QUOTE C O N F I D E N T I A L PARIS 29817

E.O. 1162: GDS

TAGS: TECH, TGEN

SUBJECT: URANIUM ENRICHMENT: EURODIF DEADLINE APPROACHES

REF: A. PARIS 28646; B. EC-BRUSSELS 6396; E. STATE 227510;

D. PARIS 24921

SUMMARY: IN NEXT WEEK, FRENCH GOVERNMENT AND EURODIF MEMBERS WILL
REACH DECISIONS ON FATE OF PROPOSED GASEOUS DIFFUSION PLANT.

PROSPECTS FAVOR POSITIVE DECISION BY FRENCH WE HAVE NOT SEEN ANY
OFFICIAL INDICATION THAT FRENCH SEEK TO DEVELOP PREFERENTIAL
EUROPEAN POLICY FOR PURCHASES URANIUM ENRICHMENT SERVICES THOUGH
THAT WOULD NOT BE INCONSISTENT WITH PAST FRENCH POLICIES.

REPORTEDLY, PROPOSED PLANT WILL BE BUILT IN TWO STAGES, BE SUPPLIED
BY FOUR 900 MEGAWATT NUCLEAR POWER PLANTS, AND OFFER ENRCHMENT
SERVICES AT ABOUT \$50 PER SWU, END SUMMARY.

1. WITH DEADLINE ONLY SIX WEEKS AWAY, EUROPEANS ARE ACCELERATING
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EFFORTS TO REACH DECISION WHETHER TO CONSTRUCT EURODIF GASEOUS

DIFFUSION PLANTS FOR ENRICHING URANIUM. REPORTED SCHEDULE IS:

NOV. 17, ASSOCIATION OF EUROPEAN PRODUCERS OF NUCLEAR ENERGY (THE SO-CALLED WYART GROUP, AFTER ITS CHAIRMAN) MEETS TO DISCUSS EURODIF PROPOSALS; NOV 22, FRENCH INTER-MINISTERIAL COMMITTEE MEETS AT ELYSEE, CONSIDERS APPROVAL OF FRENCH PARTICIPATION; NOV. 27, EURODIF MEMBERS MEET TO MAKE FINAL RECOMMENDATION OF EURODIF STUDY, AND PERHAPS DEC, 14, EC SUMMIT PER REF. A, PARA. 3.

2. EMBASSY HAS NO FIRM INDICATION OF VIEWS OF NON-FRENCH PARTIES.

WE HAVE, HOWEVER, SEVERAL INDICATIONS IN THE PAST FEW WEEKS THAT FRENCH GOVERNMENTS DECISION WILL BE FAVORABLE: ONE, PRIME MINISTERS STATEMENT OF SUPPORT LINKING ENRICHMENT TO COMMON EUROPEAN ENERGY POLICY (REF. A) TWO, STATEMENT BY MINISTER OF INDUSTRIAL AND SCIENTIFIC DEVELOPMENT (DIS) CHARBONNEL, DURING ASSEMBLY'S BUDGET HEARINGS LAST WEEK THAT FRENCH MUST HAVE MASTERY OF ENTIRE NUCLEAR POWER PROCESS FROM ORE-MINING TO RETREATMENT; THREE, STEEP RISE IN REQUESTED FUNDS FOR URANIUM ENRICHMENT RESEARCH, REPORTEDLY 200 MILLION FRANC (\$45 MILLION) FOR 1974 VERSUS 250 MILLION FRANC (\$57 MILLION) FOR SEVEN-YEAR PERIOD 1967 THROUGH 1973. (RATHER THAN CONTINUATION OF PRESENT RESEARCH, 1974 BUDGET REQUEST APPEARS AIMED AT PLANNING FOR PLANT DEVELOPMENT); AND FOUR, EUROPEAN-WIDE DEMAND, HEIGHTENED BY ARAB OIL PINCH, TO LESSEN ENERGY DEPENDENCE.

3. ON THE OTHER HAND, FRENCH POLICY MAKERS FACE TWO MAJOR PROBLEMS: RAISING THE \$2 BILLION REQUIRED TO BUILD THE PROPOSED ENRICHMENT COMPLEX, AND EVENTUALLY MARKETING ITS OUTPUT. AS CHARBONNELS CHEF DE CABINET SAID TO SCICON, GOVERNMENT WANTS NUCLEAR INDEPENDENCE BUT NOT ANOTHER CONCORDE. REGARDING COSTS, CHIEF NUCLEAR PLANNER IN DIS MINISTRY, YVES GIRARD, SAID THAT FRANCE HOPED TO PAY ABOUT HALF THE COST OF PROPOSED PLANT, WITH OTHER HALF BEING ASSUMED BY ITS EURODIF PARTNERS: SWEDEN, BELGIUM, ITALY, AND SPAIN. HE POINTED OUT THAT \$1 BILLION SPREAD OVER A 7-YEAR CONSTRUCTION PERIOD WOULD NOT IMPOSE AN INTOLERABLE FINANCIAL BURDEN. FRENCH WOULD FINANCE THEIR SHARE AT LEAST IN PART WITH A BANK LOAN UNDER GOVERNMENT GUARANTEE OR THROUGH SALES OF STOCK. WHEN ASKED WHAT FRANCE WOULD DO IF OTHER EURODIF MEMBERS REFUSED TO CONTRIBUTE TO FINANCING ENRICHMENT PLANT, GIRARD WOULD SAY ONLY THE OBVIOUS--THAT FRENCH WOULD BE VERY EMBARRASSED.

4. MARKETING ENRICHMENT SERVICES MAY POSE PROBLEMS FOR BOTH EUROPE
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AND U.S. THE POSSIBILITY OF OVER-CAPACITY IS BEING RAISED HERE APPARENTLY FOR THE FIRST TIME. IN NOVEMBER 16 ARTICLE, LE MONDE NUCLEAR EXPERT NICOLAS VICHNEY USES FIGURES OF EUROPEAN UTILITIES (THE WYART GROUP) TO SHOW THAT EUROPEANS WILL HAVE ENRICHMENT OVER-CAPACITY IF U.S. RETAINS MORE THAN ONE-THIRD OF EUROPEAN MARKET. USING UNIDENTIFIED SOURCE, HE GIVES TENTATIVE COST PER SEPARATIVE WORK UNIT OF URNECO CENTRIFUGE AS 216 FRANCS AND OF EURODIF AT 230 FRANCS. THIS, HE STATES, IS ABOVE U.S. PRICE EVEN GIVEN 5 PERCENT

YEARLY INCREASE. THEN HE RAISES QUESTION OF FREE TRADE OR "CERTAIN EUROPEAN PREFERENCE" PERHAPS TO BE ATTAINED BY "INVOKING ARTICLE 65 OF TREATY OF ROME WHICH AUTHORIZES EURATOM TO EXERCISE GEORGAPHIC PERFERENCE IF CONOMIC CONDITIONS HERE AND OUTSIDE ARE EQUIVALENT." THOUGH HE ASKED EMBASSY SCIENCE OFFICERS AND EC BRUSSELS AEC REPRESENTATIVES WHAT U.S. WOULD DO IN REACTION TO ANY EC PROTECTIONIST POLICY ON ENRICHMENT, ARTICLE DID NOT MENTION U.S. REACTION. IT SHOULD BE NOTED THAT WE HAVE NOT SEEN ANY INDICATION THAT FRENCH ARE SEEKING EC PROTECTIONIS POLICY THOUGH THIS WOULD NOT BE INCONSISTENT WITH PAST FRENCH ATTITUDES; E.G. IN FIELD OF CIVILIAN AIRCRAFT.

5. FOLLOWING TECHNICAL INFORMATION IS INCLUDED TO SUPPLEMENT PREVIOUS DESCRIPTIONS OF THE EURODIF PROPOSAL (REF.D). IN A SPEECH, THE ABOVE-MENTIONED P. WYART, DIRECTOR OF PRODUCTION AND TRANSPORT FOR ELECTRICITE E FRANCE (EDF), SAID THAT "EURODIF ENVISAGES PRODUCTION OF 4.7 MILLION SWU'S IN 1979 TO MEET A MAXIMUM OF 9.3 SWU'S BY 1981." BETWEEN 1974 AND 1978 THE FRENCH CEA IS PREPARED TO ENRICH SIGNIFICAN T

QUANTITIES OF URANIUM BY MANIPULATING THE TAILS ASSAY PROVIDED CEA WAS ASSURED IT COULD LATER RE-CYCLE THE RESULTANT, SLIGHTLY EPLETED URANIUM IN THE EURODIF PLANT. HE CONTINUTED THAT PROPOSED PLANT WOULD REQUIRE 2400 KILOWATT HOURS OF ELECTRICITY FOR EACH SEPARATIVE WORK UNIT PRODUCED, AS OPPOSED TO 200 KWH/SWU FOR THE CENTRIFUGE UNIT. ELECTRIC POWER WOULD CONSTITUTE 50 PERCENT OF PLANT OPERATING COST, CAPITAL CARRYING CHARGES 40 PERCENT AND MISCELLANEOUS 1 PERCENT. THE COST OF ENRICHMENT WOULD COMPRISE ONLY 7.5 PERCENT OF COST PER KILOWATT OF ELECTRICITY. HE EXTRAPOLATED THAT A 20 PERCENT INCREASE IN ENRICHMENT COST WOULD REPRESENT ONLY 1.5 PERCENT INCREASE IN COST OF ELECTRICITY , "THE COST WE ATTACH TO SECURITY." HE NOTED THAT THE EURODIF WAS WILLING TO BUILD FOUR 900 MW

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NUCLEARPOWER PLANTS TO SUPPLY POWER FOR THE PROPOSED PLANT. ALSO, VICHNEY TOLD US THAT EURODIF WOULD PAY EDF FOR THIS ENORMOUS AMOUNT OF ELECTRIC POWER IN URANIUM ENRICHMENT SERVICES WHICH EDF COULD THEN USE FOR ITS COMMERCIAL NUCLEAR POWER REACTORS. IRWIN UNQUOTE KISSINGER

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